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COUNTRY Poland

REPORT

SUBJECT Polish Economic Situation

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document discussing the principal problems of the Polish economy available from the CIA Library.

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1. The principal problems of the Polish economy are presently the following:

- a. A low standard of living of the greater part of the working population. The minimum monthly wage is 500 zlotys and the average 1,150 zlotys. The overall rise in income, however, is greater than that envisaged by the planners.
- b. A severe unemployment in certain areas and a shortage of workers at the state farms, on construction projects, and at the mines, despite the comparatively high wages in the latter.
- c. Wage raises have been made by government decree and through fraudulent manipulation of norms and norm accounting without consideration of the decrease in productivity.

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- d. The general rise in income has not been accompanied by a corresponding increase in commodity supply, while there is an excess of some goods which are not selling. In some instances, prices have been increased either directly or indirectly.
- e. The official decrees regarding decentralisation, democratisation, changes in planning methods, and the establishment of workers' managements have made no appreciable contribution toward the improvement of plant management.
- f. The apportioning of a larger share of the national income to consumption to raise the standard of living appears unlikely at the present time. However, the percentage of investment has not risen to any appreciable extent, if at all.
2. The division of national income in regard to individual consumption and investment is as follows (figures represent percentage):
- | | <u>1955</u> | <u>1956</u> | <u>1957</u> | <u>1960</u> |
|------------------------|-------------|-------------|-------------|-------------|
| Individual Consumption | 68.80 | 71.60 | 74.00 | 69.80 |
| Net Investment | 15.30 | 14.20 | 14.40 | 15.50 |
3. The low standard of living in Poland is partially the result of poor productivity, for which the following factors have principally contributed:

- a. **Defective organization of production.** This has been evinced not only in the lack of cooperation among enterprises, which depend upon one another in a given branch of manufacture, but also in insufficient coordination among the divisions of individual plants. It is not an uncommon occurrence for workers of a factory to be idle during the first ten days of the month, while machinery is being repaired, and then work overtime during the latter part of the month, with a resultant increase in wage expenditure. This is particularly common in the machine industry.
- b. **Decreased production capacity of the average worker.** Because of the low wages received at the plants, many workers have been obliged to seek outside income from an additional source, such as in agriculture, commerce, and relief work. As a result, the production capacities and sometimes health of the workers are impaired and the production process thereby disrupted.
- c. **Widespread absenteeism.** Unjustified absences from work together with legitimate cases of sickness average approximately 30% of the loss. Managements are, therefore,

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compelled to hire more workers than are technically required. Productivity in the mines and cotton industry, particularly, is lowered by absenteeism. Absenteeism in the field of construction is also rampant and has developed into a well-organized system, whereby workers can remain away from their job two or three days of every week without risk of losing their pay. This is accomplished through a universal "partnership" agreement between foreman and workers, under which losses are covered out of the wage fund by means of fraudulent accounting, sometimes amounting up to 30 percent of the total budget. In this way, a foreman can "guarantee" every veteran worker and personal friend a monthly wage of 2,000 zlotys, with a 10 percent profit for himself.

- d. The demoralizing effect of work norms. The prevailing disorder resulting from the employment of work norms has assumed such proportions that plants producing the same product under identical conditions will receive different production quotas. This is

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particularly noticeable in the machine industry and is affecting not only the workers but also the technical control staffs.

- e. Widespread indifference and lack of incentive on the part of the worker. The arbitrary manner in which work norms and wages are calculated in the pay accounts has thwarted the incentive of the worker to improve upon the quality and quantity of his work. Work discipline deteriorates and an indifference toward the improvement of technical processes develops.
- 4. The two wage raises instituted in 1956 contributed little in the improvement of the workers' standard of living, since the basic wage remains extremely low. The last Five Year Plan promised an average raise of 30 percent, but there are many workers who will have less than the average. According to the current calculations, the average wage in 1957 will be 1,200 slotys. Youth, women, and even old people due for retirement are compelled to work because there are so few social grants and benefits. Plant managements protest against employing adolescents and women, however, the latter because of their low level of productivity and periodic absence from work, but the objection is often overruled. Another detriment to

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productivity is the support of the workers' councils for employees of retirement age who are not willing to retire. This leads to dislocations in the employment situation, with a lack of sufficient work on the one hand and a surplus of workers on the other. These difficulties, combined with a general lack of skilled labor and manpower for heavy manual work, are further enhanced by the following:

- a. A restriction on investments.
 - b. An insufficient supply of raw materials.
 - c. The training of manpower in disregard for the requirements of the national economy.
 - d. The dismissal of administrative and civil service personnel, the release of forced laborers (miners), and the emigration of others. Dismissed personnel are requested to learn a trade. Such women employees attempt to find work as shop assistants and often pay as much as 40,000 zlotys for this purpose, with money they have borrowed.
 - e. The general restrictions on employment because of the surplus manpower in certain branches of the economy.
- According to conservative estimates, there are more

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than a quarter of a million young people between the ages of fourteen and eighteen who are neither studying nor employed in a gainful occupation.

5. One of the measures expected to make a major contribution in the rehabilitation of the national economy is the "new look in economics" experiment, based upon the representation of the workers in the plant managements. Previous attempts by the Party and trade unions along this line were unsatisfactory and extremely unpopular. Attempts are now being made, however, for the elected workers' representatives to take an active part in the supervision and management of enterprises. The experiment has thus far proved to be successful in a number of isolated cases, where proficient and devoted personnel have been appointed. Expectations regarding the general outcome of the experiment, however, are rather moderate, for the workers' pessimism in regard to the practical outcome of any innovation has been firmly established. They are inclined to distrust any experiment which fails to produce an immediate improvement; too frequently, they have been promised rewards which have failed to materialize. A singular lack of enthusiasm therefore prevails concerning the new workers' representations.
6. In many places, disorganization, corruption, and indifference have resulted in large-scale material wastes, thefts, and

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frauds. Party cells have proved a total failure in their attempts to foster respect among the workers for public property. With the liquidation of terror methods and the withdrawal of UB (Security Police) organisations at the plants there has been a rise in thievery and embezzlement. Illegal practices have become more formidable since the workers became aware that no more wage increases were expected for the near future.

7. Thus, a large part of the national property is either wasted or fraudulently appropriated by private persons. These practices have reached such dimensions that no branch of the economy can consider itself immune from their demoralising influence.

Comments:

1. At a Warsaw building site, two inspectors of a governmental control institution recently made inquiries regarding such "partnership" agreements and were beaten up by unknown hoodlums.
2. The following are a two typical examples of such fraudulent practices:
 - a. In July 1957, entire machines were stolen from the Lodzkie Zaklady Wolkiennicze Cotton Plant in one night. A considerable number of the employees were believed to have been involved in the theft.


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- b. Cafe waitresses often purchase coffee on the free market, prepare it at their place of work, and sell it to their customers, pocketing a large part of the takings. Clearly, such a practice is only possible with the cooperation of cafe managers and accountants.